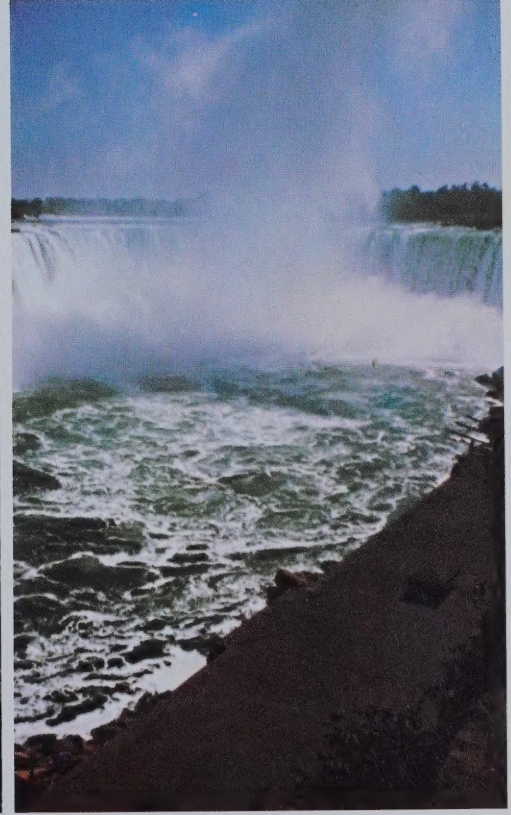


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Silverwood Industries Limited

(A Canadian owned company with 3,992 shareholders of which 3,906 or 97.9% are resident in Canada and own 99.2% of the total issued stock)

71st annual report, year ended December 30, 1973

Silverwood Industries Limited is a Canadian owned company, engaged in the provision of a range of consumer goods and services within Canada.

It is a management holding company, showing leadership in the fields of dairy foods, citrus juices and convenience store operations. The subsidiary companies, operating on a decentralized basis but within an overall corporate philosophy, provide a stable base for future growth and diversification in order to maintain and enhance the company as a major Canadian owned operation.

Silverwood Industries Limited is committed to continue its strong sense of social responsibility and community awareness and a high standard of ethical conduct in its relations with the general public, its employees, shareholders and suppliers.

The cover. The cover photographs portray the Canadian heritage that permeates the management operations of Silverwood Industries Limited as well as covering in a broad sense the present field of operations for the Silverwood group of companies.



Senior executive group (from left to right): C.L.Tulloch, Vice President; W.I.Barton, Secretary Treasurer; E.F.Findlay, Chairman, President and Chief Executive Officer; R.G.Pardy, Vice President, Finance; P.B.Knoepfli, Director Corporate Planning; H.T.Spettigue, Senior Vice President.

TO OUR SHAREHOLDERS:

This mid-year report covering the 24 week period of operations from January 1st to June 17th, 1973 (with comparative amounts for the 24 week period January 3rd to June 18th, 1972) should indicate to you that the revamped management groups in each of our operating divisions are achieving a reasonable degree of success in striving for an increased earnings potential.

Sales of \$83,485,096 reflect an increase of 9.86% over the same period of the previous year, with improvements taking place in all divisions.

Consolidated Net Income from operations for the 24 week period was \$876,550 (65.24 per Class "A" and "B" share), an increase of \$356,735 from the corresponding financial results for 1972. The Consolidated Net Income for the period of \$939,157 is also well ahead of the same period for last year, and reflects 69.9¢ per Class "A" and "B" share earnings.

The Consolidated Working Capital of \$3,722,619 is in a satisfactory position for this time of year and well ahead of the comparable figure of \$2,967,889 for 1972.

The new dairy plant which we had hoped to have open in Winnipeg, Manitoba has been delayed by a general strike of the "Plumbing Trades" in that city. Accordingly, it is anticipated that it will be late this Fall before that plant is opened with its attending efficiencies of operation.

I would also like to report to you the move of the Executive Offices of the Dairy Division from London to Toronto, Ontario in July of this year. It was felt that a more effective management effort could be achieved by locating this division closer to the forces which tend to govern the market across Canada. The Silverwood Industries Limited, Head Office will, of course, remain in London, the city in which the Company was originally founded.

The third quarterly dividend in this fiscal period, of 20¢ per share, payable October 1st, 1973 to Shareholders of record August 31st, 1973, has been declared by your Board of Directors.

With the markedly improved operating results for the first 24 weeks and the favourable outlook for the balance of the year, your management expects that financial results for 1973 will show a significant increase over 1972.

E. S. Hendry

Chairman of the Board,
President and
Chief Executive Officer

London, Canada
July 30th, 1973

Silverwood's fresh cold milk
— use it every day —
a wonderful food



HEAD OFFICE
75 BATHURST STREET
LONDON, ONTARIO
N6B 1N8

AR21

Conway



INTERIM REPORT
to the shareholders of
Silverwood Industries Limited
for the 24 weeks
ended June 17, 1973

Silverwood Industries Limited

and its Subsidiary Companies

INTERIM STATEMENT OF CONSOLIDATED INCOME (not audited)

	24 Weeks Ended June 17, 1973	24 Weeks Ended June 18, 1972
Sales	\$83,405,096.	\$75,995,373.
Less:		
Cost of materials and production expenses	59,761,611.	54,814,411.
Selling, administrative and general expenses	19,948,456.	18,468,333.
Depreciation and amortization	1,609,960.	1,591,222.
Interest (including interest on short term debt— 1973 - \$93,458; 1972 - \$99,616)	501,631.	509,735.
Income before taxes on income	81,821,658.	75,383,701.
Taxes on income:		
Current	697,923.	278,764.
Deferred	88,965.	13,093.
Consolidated net income before extraordinary items	786,888.	291,857.
Extraordinary items	876,550.	319,815.
Consolidated net income for period (see note)	\$ 939,157.	\$ 787,918.
Earnings per Class "A" and "B" shares:		
Consolidated net income before extraordinary items	65.2¢	23.8¢
Consolidated net income for period	69.9¢	58.6¢

NOTE:

During the year 1972 the company acquired the balance of the shares outstanding in two of its subsidiary companies, Mac's Milk Limited and Londonderry Distributors Limited. The company previously held an 80% and 90% interest respectively in these companies. The remaining minority interests are not material in nature and accordingly have not been shown separately.

INTERIM STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS (not audited)

	24 Weeks Ended June 17, 1973	24 Weeks Ended June 18, 1972
SOURCE OF FUNDS:		
Operations —		
Consisting of:		
Consolidated net income for period	\$ 939,157.	\$ 787,918.
Add (deduct):		
Depreciation and amortization	1,609,960.	1,591,222.
Deferred income taxes	88,466.	(19,442)
Gain on sale of land, buildings and store	(34,552)	(425,008)
Proceeds from receipt of term notes payable to bankers	2,603,031.	1,934,690.
Proceeds on disposal of fixed assets and store	—	2,100,000.
Decrease in sundry assets (net)	155,863.	734,668.
	12,642.	27,386.
	2,771,536.	4,796,744.
APPLICATION OF FUNDS:		
Additions to the companies plant and equipment	1,145,640.	1,222,475.
Dividends to shareholders	537,748.	537,748.
Provision for retirement of debentures and reduction of other deferred liabilities (net)	1,294,860.	1,183,216.
Acquisition of balance of minority interest in certain subsidiaries	—	2,159,726.
Decrease in consolidated working capital	2,978,248.	5,103,165.
Consolidated working capital, beginning of period	(206,712)	(306,421)
Consolidated working capital, end of period	3,929,331.	3,274,310.
	\$ 3,722,619.	\$ 2,967,889.

SILVERWOOD INDUSTRIES LIMITED

NOTICE IS HEREBY GIVEN that the Annual and General Meeting of the Shareholders of SILVERWOOD INDUSTRIES LIMITED will be held at the Ballroom A—Holiday Inn, 299 King Street, London, Canada, on Thursday, May 3, 1973 at 2:00 p.m. (Eastern Daylight Saving Time), for the following purposes:

1. To receive the Consolidated Financial Statements of the Corporation and its subsidiaries for the fiscal year (fifty-two weeks) ended December 31, 1972 and the reports of the directors and auditors thereon.
2. To consider and, if thought fit, confirm (subject to such amendments as may be made at the meeting) Special By-law No. 10 of the Corporation dealing with the size and quorum of the Board of Directors of the Corporation, a copy of which Special By-law No. 10 is enclosed herewith.
3. To elect directors.
4. To appoint auditors and authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting.

London, Canada
March 22, 1973

By Order of the Board,

W. I. BARTON
Secretary-Treasurer

NOTE: If you are not able to be present kindly sign and return the enclosed proxy. As only holders of Class B shares are entitled to vote at this meeting, no proxy is enclosed unless you are a holder of Class B shares.

SILVERWOOD INDUSTRIES LIMITED

SPECIAL BY-LAW NO. 10

PASSED FEBRUARY 22, 1973

A special by-law dealing with the number and quorum of the Board of Directors of the Corporation.

RESOLVED as Special By-law No. 10 of the Corporation that:

1. The number of directors of the Corporation is hereby decreased from eighteen to fourteen so that the Board of Directors of the Corporation shall hereafter be composed of fourteen directors.
2. Eight directors shall constitute a quorum at any meeting of the Board of Directors.
3. All prior by-laws, resolutions and proceedings of the Corporation inconsistent herewith are hereby amended, modified and revised in order to give effect to this special by-law.

Silverwood Industries Limited

NOTICE IS HEREBY GIVEN that the Annual and General Meeting of the Shareholders of SILVERWOOD INDUSTRIES LIMITED will be held at the Ballroom A - Holiday Inn, 299 King Street, London, Canada, on Tuesday, April 30, 1974 at 2:00 p.m. (Eastern Daylight Saving Time), for the following purposes:

1. To receive the Consolidated Financial Statements of the Corporation and its subsidiaries for the fiscal year (fifty-two weeks) ended December 30, 1973 and the reports of the directors and auditors thereon.
2. To elect directors.
3. To appoint auditors and authorize the directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting.

London, Canada
February 28, 1974

By Order of the Board,

W. I. BARTON
Secretary-Treasurer

NOTE: If you are not able to be present kindly sign and return the enclosed proxy. As only holders of Class B shares are entitled to vote at this meeting, no proxy is enclosed unless you are a holder of Class B shares.

Financial highlights year ended December 30, 1973 and December 31, 1972

	1973	1972
Sales	\$189,154,018	\$172,001,680
Consolidated net income before extraordinary items	\$ 2,150,214	\$ 1,247,582
Consolidated net income for year	\$ 2,452,100	\$ 1,762,700
Dividends paid	\$ 1,075,496	\$ 1,075,496
Rate per Class "A" and Class "B" share	\$.80	\$.80
Consolidated retained earnings re-invested in business to date	\$ 17,258,242	\$ 15,881,638
Shareholders' equity	\$ 24,599,559	\$ 23,222,955
Shares outstanding		
Class "A"	903,158	903,158
Class "B"	441,212	441,212
Equity per Class "A" and "B" share	\$ 18.30	\$ 17.27
Debentures outstanding	\$ 7,190,000	\$ 7,766,000
Consolidated funds provided from operations	\$ 5,616,669	\$ 4,788,710
Consolidated working capital	\$ 3,339,964	\$ 3,929,331

Contents

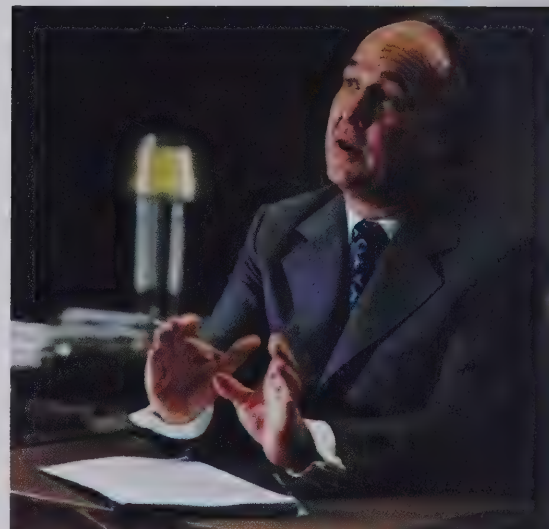
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On behalf of the Board of Directors it is my privilege to report to you on the affairs of your company and events that have taken place during the 1973 fiscal year.

In the period under review, significant increases were achieved in sales by all divisions resulting in a total net sales increase of \$17,152,338 or 9.97%. Consolidated net income from operations of \$2,150,214 is substantially improved over the difficult year experienced in 1972, but reflects an earning of only 1.14¢ on every sales dollar. Both the consolidated net income from operations per class "A" and "B" share of \$1.60 and the consolidated net income per share of \$1.82 represent milestones in the financial records of Silverwood Industries Limited. However, your Board is very cognisant of the fact that this latter figure reflects a return on net worth of only 8.7%. Historical records show that the company's return on net worth after a gradual increase had peaked at 10.5% in 1967 and then steadily declined to 5.3% in 1972. The increase in 1973, although decidedly improved, indicates that much remains to be accomplished in arriving at acceptable standards for our shareholders.

Included in the consolidated net income figures are the benefits received from the corporate tax decreases on manufacturing and production profits. Although this amount is nominal in our case because the large percentage of our returns emanate in the distribution and retailing fields rather than production, we do commend the Federal Government for their legislative attitudes in this matter.

During the year we continued to dispose of surplus properties no longer required in operations and the gain on these disposals is reflected in the net extraordinary item of \$301,886. This figure was compiled from the sales of former branch operations in Cranbrook, B.C. and Stratford, Ontario, together with surplus properties in Victoria, B.C. and Toronto, Ontario. It is anticipated that additional properties in Lindsay, Elmira and Winnipeg will have been sold within the first quarter of 1974 and these will be reported to you in our interim report.



Eric F. Findlay

Throughout this Annual Report, an attempt has been made to familiarize you with the company, the goals and objectives of the management group, the description of the types of business in which we are engaged, the organizational changes taking place within this framework, as well as a complete financial report on the operations of the company during its last fiscal year.

In my remarks to you last year, I mentioned the "reorganization, reevaluation and consolidation within the total operating structure" that was taking place in that year. The work undertaken then is now serving as a base in restructuring the company to move from a single company dairying operation to a broader based management holding company with growing interests in diversified areas. A decentralized management organization has been designed to encourage entrepreneurship in the executive personnel of the various operating divisions.

In order to more clearly define this operating concept both internally as well as externally, we have activated Silverwood Dairies Limited, a corporate shell set up to protect the "Silverwood Dairies" name when your company changed its name to Silverwood Industries Limited in July 1970. This company with separate executive offices in Toronto, Ontario will be responsible for managing the dairy and related food operations which were formerly integrated in Silverwood Industries Limited.

Thus it is planned that Silverwood Industries Limited, the public company, centred in London, Ontario will act as the corporate parent for an increasing number of companies each developing within its own sphere of activity. Currently this group all wholly owned by "Industries" consists of:

Mac's Milk Limited – centred in the convenience store industry

Londonderry Distributors Limited – centred in the citrus juice industry

Baskin-Robbins 31 Flavour Stores – centred in ice cream specialty retailing

and now Silverwood Dairies Limited – primarily centred in the dairy products field but with interest in the overall food industry.

Under the heading "Operations Review", there is a more detailed discussion and description of the various divisions and their operations this past year.

There were no significant acquisitions made in 1973 while the restructuring programme was underway. However, on January 28, 1974, the assets and business of Valley View Dairies, Toronto was acquired from Federal Diversiplex Limited and incorporated into a wholly-owned subsidiary, The Valley View Dairies Limited. It is intended that this company operate as a separate entity specializing its approach in serving the institutional, restaurant and catering fields.

During 1973 there were retirements from our Board of Directors in the persons of Peter V.V. Betts, Esq. Q.C., Mr. L.R. Gray, Mr. A.E. Lawrence, Sr., and Mr. K.E. Perrin. Coupled with the death of Mr. E. Gordon Silverwood, late in the 1972 year, the company made the decision to reduce its Board of Directors from eighteen to fourteen members. Mr. William Sagain was elected to the Board at the Annual Meeting in May of 1973.

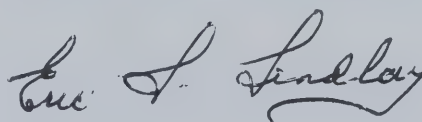
Each one of the gentlemen retiring had served your Board with distinction and dedication. Mr. L.R. Gray and Mr. K.E. Perrin had been with the company in active management for many years as well as serving on the Board. Mr. Peter V.V. Betts had served in a dual capacity as a director and legal counsel for some years and has continued his valued services to this organization as its solicitor. Mr. A.E. Lawrence, Sr. was elected an Honorary Director of the company and we are proud to have this continuing connection. To all of these gentlemen we offer our sincere thanks for their efforts on your behalf.

The scope of the A.E. Silverwood Foundation in assisting the families of our employees through the granting of University bursaries was broadened in 1973 to cover all provinces of Canada in which this company operates. The Foundation extended bursaries to the children of our employees in addition to continuing bursaries for post-graduate studies in nursing education and nursing science administration. Once again we want to commend the Silverwood and Lawrence families who administer the Foundation for their genuine interest and generous assistance in these areas.

During this past year all of our companies and more particularly Silverwood Dairies Limited have experienced extensive organizational restructuring with management changes at all levels of responsibility. I would like to express my gratitude to all staff who have continued their loyal support through a very difficult transition year. This ongoing spirit of cooperation in our people is one of the major strengths of this Canadian company.

From the foregoing remarks and those made earlier in the interim reports to the shareholders, I trust that I have conveyed to you the determination and confidence that your Board and management staff have in improving the financial returns of this company and in truth the future potential of the company. As we continue to broaden the base of the company, the short term fluctuations inherent in a single industry company economy will disappear.

The accomplishment of this goal is well in sight and augurs well for the future of our company, its employees and shareholders.



Chairman of the Board,
President and Chief Executive Officer

Dairies Division

Silverwood Dairies is the largest fluid milk and ice cream operation in Canada, employing in excess of 2,700 people. Separate Executive Offices for this Division were established in July of 1973 in Mississauga, Ontario, to manage the operation which extends from Ontario through Manitoba, Saskatchewan, Alberta and British Columbia.

These operations are conducted through four separate region offices in Toronto and London, Ontario; Calgary, Alberta and Victoria, British Columbia. The region offices control some twenty-two processing plants in fluid milk, ice cream and industrial milk, together with an additional twenty distribution branches.

Sales for this Division were \$122,749,599 in 1973, an increase of 7.9% over the previous year, while the operating results for 1973 showed a considerable improvement over the prior year.

As indicated elsewhere, major restructuring has and is taking place in both the physical plants and organizational structures of this Division. Significant renovations are underway in our Toronto Dupont milk and feature products plant, to increase both the efficiency and capacity of this major processing facility. It is anticipated that we will phase out the milk production operations in several of our Ontario plants, transferring that production to this modern processing plant. The St. Catharines production facilities had already been phased out in August of 1973 and transferred to the Toronto Dupont plant.

The new Winnipeg milk and ice cream production plant was completed late in the fall of 1973, some several months later than planned because of work stoppages through the spring and summer in the construction trades in Manitoba. Major renovations and additions are scheduled for the ice cream and fluid milk plants in London, Ontario later this year, while further market and plant facility studies are taking place in Alberta and British Columbia.

Considerable emphasis is being placed on our general marketing strategies, with particular attention being given to the introduction of new product items exclusive to Silverwood. It is intended to evolve specialized approaches to various segments of the market. The development of "The

Valley View Dairies Limited" to specifically service the restaurant and institutional field in Metropolitan Toronto, is an indicator of that direction. Greater evidence of this policy will emerge through 1974 marketing plans.

Under the guidance of Mr. William Sagain, President, Silverwood Dairies Limited, several outstanding executives were attracted to this company in this past year, adding significant strength in the marketing, production, distribution and accounting fields.

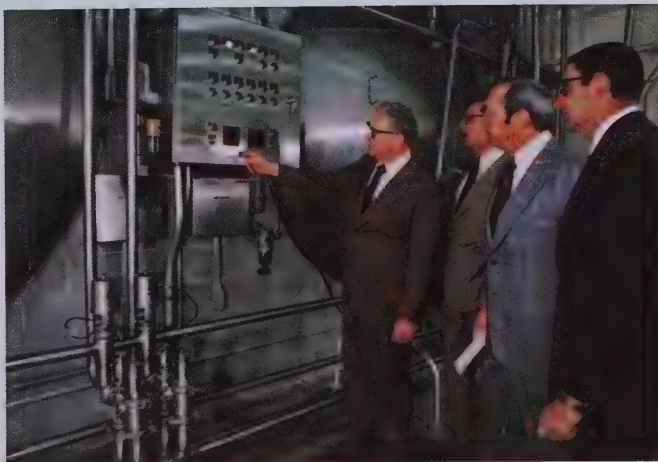


*Silverwood Dairies Limited executive offices,
Mississauga, Ontario and the 401 Ice Cream
Plant, London, Ontario.*

*Below: W.Sagain, President; R.L.Chipman,
Vice President, Marketing and Sales.*

*Bottom centre: S.A.Hansen, Plant Manager,
401 Ice Cream Plant; A.D.Bassett,
Manager, Engineering Services; W.Sagain,
President; J.Musser, Director of Operations.*

*Bottomright: R.L.Chipman; E.R.Illingworth,
Manager, Purchasing Services.*



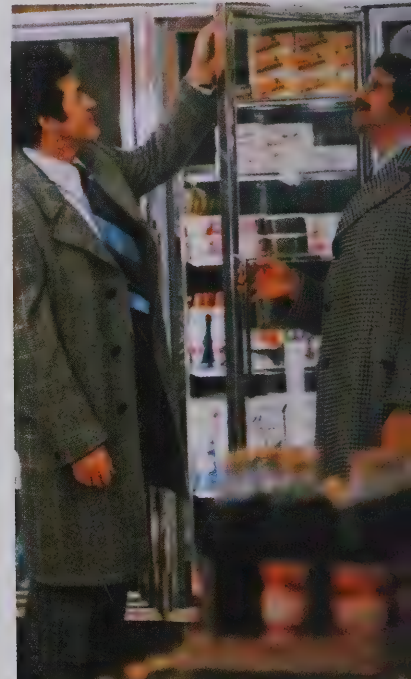
*Mac's Milk Limited executive offices,
Scarborough, Ontario.*

*Below: L.M. Phillips, Director of Mer-
chandising; R.S. Maich, Vice President and
General Manager; G. Hurd, Marketing
Manager; D.F. Guy, President.*

*Bottom: Mrs. Marilyn Hames, Receptionist,
Executive Offices.*

*The final clearance for the opening of the
440th Mac's Milk Store, Metropolitan
Toronto.*

Mrs. Ruth O'Hara, Contract Operator





Convenience Store Division

The convenience store operations of your company are conducted through Mac's Milk Limited, with head offices located in Scarborough, Ontario.

Since its establishment in 1961, Mac's Milk Limited has grown steadily to a total of 439 stores at the 1973 year end, with the concentration in major urban and metropolitan markets. There are 330 stores operating in Ontario, 30 stores in Manitoba (primarily greater Winnipeg), 33 stores in Alberta (primarily Calgary and Edmonton) and 46 stores in British Columbia (primarily Metro Vancouver and proximity).

With 1973 sales of \$82,764,367, representing growth of 13.8% versus the prior year, it is evident that Mac's has established a strong consumer acceptance on a sound basis for planned, profitable growth. Consumer trends towards increasing leisure time, continuing demands for ease of shopping convenience and the apparent trend of chain supermarkets to the elimination of smaller, uneconomical outlets and the development of fewer and larger super units, are good indicators for the convenience store market.

Management attention has been focused on a thorough assessment of store viability prior to opening with the use of internally developed market and location measurement criteria. Although Mac's was originally developed as a means of distribution for the Dairies Division, it is now operated as an autonomous unit in this growth oriented segment of the Canadian food retailing industry. Particular attention has also been paid to individual store profitability, with uneconomic stores being closed where necessary. Both sales and store count were increased through 1973, despite the closing of some 33 stores, which were no longer considered viable.

Citrus Juice Division

Londonderry Distributors Limited, a processor and distributor of citrus juices and citrus drinks, has its aseptic processing plant in Toronto, Ontario and its main business office in the same city. While a comparatively new company, there is extensive experience in the processing and distribution of citrus juices in its executive staff and the people available in an advisory capacity to that company.

Citrus juices and drinks serve a very key area in the diet requirements of the consuming public and this company strives at all times to produce top quality products, available through all types of retail outlets. Sales of citrus juices through the company are now made from the Maritimes to British Columbia, with portions of its production servicing the private label sector. In addition it, of course, produces for Silverwood Dairies, citrus juices that are marketed through that company's home service routes.

During 1973, the citrus juice industry in Canada was troubled by the change in world money markets, through devaluation of the dollar in many citrus fruit producing countries. This, coupled with the aggressive entry of new distributors in the field, tended to reduce margins available to the industry.

Notwithstanding these pressures on margins, your company was able to maintain a growth rate in sales of 11.8% and while there was some reduction in profits, due to the pressure on margins, it is anticipated that corrective measures can be taken in 1974.

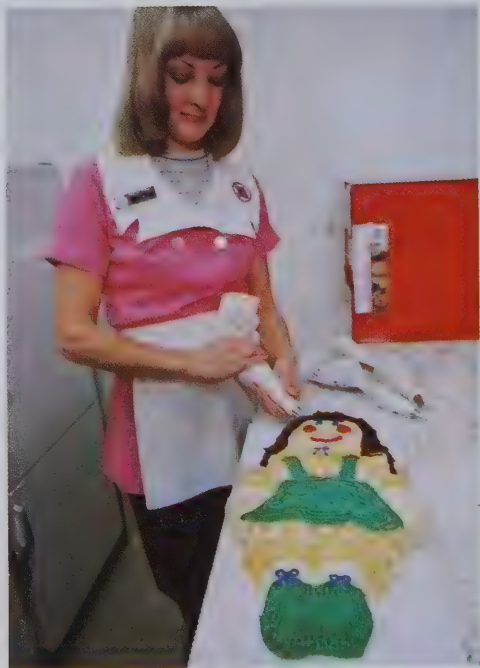
Ice Cream Specialty Retailing Division

The Baskin-Robbins 31 Flavour Stores, headquartered in Mississauga, Ontario, achieved satisfactory momentum during 1973. Under the direction of this specialty ice cream retailing division, there are presently eight stores in operation with four additional locations under construction, which are scheduled for opening during the first quarter of 1974. The existing stores are performing well and all indications suggest that Baskin-Robbins will achieve a prominent market position in 1974.



Baskin-Robbins 31 Flavour Ice Cream Store,
Applewood Village Shopping Centre,
Mississauga, Ontario.

Below right: T. Bryant, Regional Director;
Mrs. Betty Burrows, Franchisee.



*Research and Development Laboratory,
London, Ont.*

*Below: A.G.Sargant, Supervisor, Research
and Development; M.Pennell, Research
Assistant.*

*Centre: General lab facilities, Research
Assistants and Technicians.*

*Bottom: B.Perzow, Research Assistant;
A.G.Sargant.*



Research and Development

Headquartered in London, Ontario, the Research and Development laboratory of Silverwood Industries Limited is a resource and service division with the sole purpose of serving the technical and innovative needs of the operating divisions of the company.

Since the Department's creation some six years ago, and with the assistance of the National Research Council of Canada and the Federal Department of Industry, Trade and Commerce, we have developed a competent, highly trained group of research professionals, who are making a significant contribution to the company as well as to the overall food industry.

Consolidated statement of income

Year ended December 30, 1973 (with comparative amounts for the year ended December 31, 1972)	1973	1972
Sales	\$189,154,018	\$172,001,680
Less:		
Cost of materials and production expenses	136,854,569	124,239,271
Selling, administrative and general expenses	43,450,129	40,911,071
Depreciation and amortization	3,519,855	3,430,378
Interest (including interest on short term debt – December 30, 1973 – \$187,591; December 31, 1972 – \$174,972)	1,127,051	1,110,978
	184,951,604	169,691,698
Income before taxes on income and extraordinary items	4,202,414	2,309,982
Taxes on income:		
Current	2,105,600	951,650
Deferred	(53,400)	110,750
	2,052,200	1,062,400
Consolidated net income before extraordinary items	2,150,214	1,247,582
Extraordinary items (note 4)	301,886	515,118
Consolidated net income for year (note 1)	\$ 2,452,100	\$ 1,762,700
Earnings per Class "A" and "B" shares:		
Consolidated net income before extraordinary items	\$ 1.60	\$.93
Consolidated net income for year	\$ 1.82	\$ 1.31

Consolidated statement of retained earnings

Year ended December 30, 1973 (with comparative amounts for the year ended December 31, 1972)	1973	1972
Balance, beginning of year	\$15,881,638	\$15,194,434
Add consolidated net income for year (note 1)	2,452,100	1,762,700
	18,333,738	16,957,134
Deduct:		
Dividends declared (80¢ per share) –		
Class "A"	722,526	722,526
Class "B"	352,970	352,970
	1,075,496	1,075,496
Balance, end of year	\$17,258,242	\$15,881,638

(See accompanying notes to the consolidated financial statements)

Consolidated balance sheet at December 30, 1973 (with comparative amounts at December 31, 1972)

ASSETS	1973	1972
Current		
Cash.....	\$ 130,639	\$ 2,389,061
Short term deposit.....	435,578	500,000
Marketable securities – at cost (approximate market value December 30, 1973 – \$602,000; December 31, 1972 – \$787,000).....	755,000	913,875
Trade accounts and other receivables (less allowance for doubtful accounts – December 30, 1973 – \$1,043,350; December 31, 1972 – \$796,525).....	9,363,045	8,984,251
Inventories – at the lower of cost or net realizable value (note 1).....	12,398,671	10,134,484
Prepaid expenses.....	913,202	769,540
	<u>23,996,135</u>	<u>23,691,211</u>
Fixed (note 1)		
Land, buildings, equipment and leasehold improvements – at cost.....	61,676,361	58,406,201
Less accumulated depreciation and amortization.....	31,836,123	29,764,059
	<u>29,840,238</u>	<u>28,642,142</u>
Sundry		
Deferred expenses and other assets.....	1,035,119	945,426
Goodwill – at cost (note 1).....	6,018,844	6,028,605
Expenses in connection with debentures issued, less amortization.....	278,713	299,708
	<u>7,332,676</u>	<u>7,273,739</u>
	<u><u>\$61,169,049</u></u>	<u><u>\$59,607,092</u></u>

On behalf of the Board

Director

Eric S. Lindley

Director

W. F. Barton

LIABILITIES	1973	1972
Current		
Due to bankers.....	\$ 3,186,268	\$ 2,841,970
Accounts payable – milk and cream producers.....	3,667,929	3,570,045
Other accounts payable and accrued charges.....	10,461,913	10,235,733
Income taxes payable.....	1,296,141	856,645
Employees' tax deductions.....	756,731	564,942
Dividends declared.....	268,768	268,768
Principal instalments on debentures and other deferred liabilities due within one year.....	1,018,421	1,423,777
	<u>20,656,171</u>	<u>19,761,880</u>
Debentures payable and other deferred liabilities (notes 2 and 3).....	<u>12,104,719</u>	<u>12,684,757</u>
Deferred income taxes	<u>3,808,600</u>	<u>3,937,500</u>
Shareholders' equity		
<i>Capital</i>		
Class "A" shares without par value entitled to cumulative, preferential dividends of 60¢ per share per annum, payable quarterly, and after the Class "B" shares have received 60¢ per share in any one year to further participation rateably with Class "B" shares: entitled in liquidation to a priority of \$15 per share –		
Class "B" shares without par value		
Authorized 1,000,000 shares (Class "A") 500,000 shares (Class "B")		
Issued 903,158 shares (Class "A") 441,212 shares (Class "B").....	7,341,317	7,341,317
Consolidated retained earnings (note 3).....	17,258,242	15,881,638
	<u>24,599,559</u>	<u>23,222,955</u>
	<u>\$61,169,049</u>	<u>\$59,607,092</u>

Consolidated statement of source and application of funds

Year ended December 30, 1973 (with comparative amounts for the year ended December 31, 1972)	1973	1972
Source of funds:		
Operations –		
Consisting of:		
Consolidated net income before extraordinary items	\$2,150,214	\$1,247,582
Add:		
Depreciation and amortization	3,519,855	3,430,378
Deferred income taxes	(53,400)	110,750
	<u>5,616,669</u>	<u>4,788,710</u>
Proceeds from receipt of term notes payable to bankers and mortgages payable	1,704,790	3,391,000
Proceeds on disposal of fixed assets and store	696,684	1,029,326
Decrease in sundry assets (net)		160,974
	<u>8,018,143</u>	<u>9,370,010</u>
Application of funds:		
Additions to the companies' plant and equipment	5,221,229	3,753,575
Dividends to shareholders	1,075,496	1,075,496
Provision for retirement of debentures and reduction of other deferred liabilities (net)	2,230,853	1,726,191
Increase in sundry assets (net)	79,932	
Acquisition of balance of minority interest in certain subsidiaries		2,159,727
	<u>8,607,510</u>	<u>8,714,989</u>
Increase (decrease) in consolidated working capital	(589,367)	655,021
Consolidated working capital, beginning of year	3,929,331	3,274,310
Consolidated working capital, end of year	<u>\$3,339,964</u>	<u>\$3,929,331</u>

Notes to the consolidated financial statements December 30, 1973**1. Accounting policies**

Principles of consolidation. The accompanying consolidated financial statements include the accounts of all subsidiary companies in which Silverwood Industries Limited or its subsidiaries owned an equity interest in excess of 50% at the respective fiscal year ends with appropriate provision for minority interests.

The convenience store division accounted for \$82,764,367 of total consolidated sales (\$72,676,800 at December 31, 1972).

Inventories. Inventories are valued at the lower of cost or net realizable value.

Inventory values are as follows:

	December 30, 1973	December 31, 1972
Convenience store retail inventory.....	\$ 5,112,007	\$ 4,206,759
Dairy division products.....	2,578,120	2,298,664
Supplies.....	4,708,544	3,629,061
	<u>\$12,398,671</u>	<u>\$10,134,484</u>

Fixed assets. Fixed assets are valued at cost and are depreciated on a straight line basis over the estimated useful life of the asset. The fixed assets consist of:

	Estimated useful life	December 30, 1973	December 31, 1972
Land.....		\$ 2,339,793	\$ 2,200,323
Buildings.....	20-50 years	13,670,375	12,267,417
Machinery and equipment.....	10 years	17,404,162	17,137,969
Merchandising equipment.....	12 years	15,230,957	14,245,617
Delivery equipment.....	7 years	10,465,150	10,297,718
Leasehold improvements.....	term of lease	2,565,924	2,257,157
		<u>61,676,361</u>	<u>58,406,201</u>
Less accumulated depreciation and amortization.....		<u>31,836,123</u>	<u>29,764,059</u>
		<u>\$29,840,238</u>	<u>\$28,642,142</u>

Maximum capital cost allowance is claimed for income tax purposes and appropriate provision is made for deferred income taxes.

Goodwill. This represents the excess of purchase price of shares of subsidiaries over net book value of the underlying assets acquired and purchased goodwill at cost less any disposals.

2. Debentures payable and other deferred liabilities

	December 30, 1973	December 31, 1972
7¼% sinking fund debentures Series A, due July 5, 1986 (sinking fund payment of \$400,000 per annum)....	\$ 7,190,000	\$ 7,766,000
Term notes payable to bankers (note).....	4,213,003	4,887,861
Notes payable.....	195,250	381,153
5%-9½% mortgages payable.....	1,367,066	908,944
Other.....	157,821	164,576
	<u>13,123,140</u>	<u>14,108,534</u>
Less portion due within one year included in current liabilities (net of debentures redeemed in advance).....	<u>1,018,421</u>	<u>1,423,777</u>
	<u>\$12,104,719</u>	<u>\$12,684,757</u>

Note: Debentures payable and other deferred liabilities include term notes of two subsidiary companies in the amount of \$3,213,003 which are secured by floating charge debentures on the assets of those subsidiaries.

Maturities and sinking fund requirements during the next five years are as follows:

Year ended	Amount	
December 29, 1974	\$1,018,421	
December 28, 1975	2,625,138	(including term notes payable to bankers of \$2,019,337)
December 27, 1976	1,265,621	
January 3, 1978	1,097,289	
January 2, 1979	443,583	

3. Restrictions on payment of dividends

Under the provisions of the Trust Indenture securing the 7¼% sinking fund debentures, the company cannot declare or pay any dividends (other than stock dividends and dividends at the rate of 60¢ per share per annum on the outstanding Class "A" shares of the company) when:

- (a) consolidated net current assets (as therein defined) of the company and its designated subsidiaries are less than, or would thereby be reduced to less than \$2,500,000, and
- (b) the consolidated retained earnings of the company and its designated subsidiaries will be less than the lesser of 75% of the principal amount of all funded obligations of the company and its designated subsidiaries or \$7,500,000.

4. Extraordinary items

Extraordinary gains, including applicable income taxes of \$75,500 for the year ended December 30, 1973 (\$25,500 – December 31, 1972) consist of:

	December 30, 1973	December 31, 1972
Sale of land, buildings and store.....	\$247,911	\$502,023
Redemption of debentures.....	53,975	13,095
	<u>\$301,886</u>	<u>\$515,118</u>

Auditors' report

To the Shareholders of Silverwood Industries Limited.

We have examined the consolidated balance sheet of Silverwood Industries Limited and its subsidiary companies as at December 30, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 30, 1973, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co., Chartered Accountants.
London, Canada, February 25, 1974.

5. Lease agreements and commitments

Silverwood Industries Limited and its subsidiary companies have entered into agreements to lease equipment and properties for various periods up to 1992 at total maximum aggregate net rentals of approximately \$26,000,000. The maximum net rentals which will be charged to consolidated operations in the ordinary course of business during the next five years will amount to approximately \$3,100,000 per annum.

As at December 30, 1973 actuarial estimates of the companies' liability in respect of past service pension benefits not provided for in the attached consolidated financial statements amounted to approximately \$792,000 (December 31, 1972 – approximately \$211,500). The increase at December 30, 1973 resulted from increased benefits, the full cost of which is being assumed by the companies. It is the intention of the companies to provide for and pay this liability over a period not exceeding the next sixteen fiscal years.

Subsequent to December 30, 1973 the company acquired certain fixed assets of the dairy business of The Valley View Dairies Limited including the name and goodwill for \$425,000 plus the value of inventories and accounts receivable.

6. Remuneration of directors and senior officers

Aggregate direct remuneration paid or payable by the company and its subsidiaries to directors, who act only in that capacity, and senior officers, some of whom act as directors of the company but do not receive additional remuneration as such, amounted to:

	December 30, 1973	December 31, 1972
Directors.....	\$ 21,100	\$ 23,400
Senior officers.....	<u>361,504</u>	<u>367,234</u>
	<u>\$382,604</u>	<u>\$390,634</u>

Ten year comparative summary

	Fiscal period	1973	**1972
1973 – Fifty-two weeks ended December 30, 1973	Sales	\$189,154,018	\$172,001,680
1972 – **Fifty-two weeks ended December 31, 1972	Consolidated net income before extraordinary items	2,150,214	1,247,582
1972 – *Fifty-two weeks ended January 2, 1972	Consolidated net income for period	2,452,100	1,762,700
1971 – Forty weeks ended January 3, 1971	Consolidated net income for each Class “A” and “B” share before extraordinary items	1.60	.93
1965-70 – Twelve months ended March 31	Consolidated net income for each Class “A” and “B” share for period	1.82	1.31
	Dividends	1,075,496	1,075,496
	Per Class “A” share	.80	.80
	Per Class “B” share	.80	.80
	Percentage of consolidated earnings paid in dividends	43.9%	61.0%
	Consolidated earnings re-invested in the business	1,376,604	687,204
	Percentage of consolidated earnings re-invested in the business	56.1%	39.0%
	Capital invested		
	Long term debt	12,104,719	12,684,757
	Shareholders’ equity	24,599,559	23,222,955
	Total	36,704,278	35,907,712
	Percentage of shareholders’ equity to total investment	67.0%	64.6%
	Shareholders’ equity per share	18.30	17.27
	Consolidated working capital December 30, 1973; December 31, 1972; January 2, 1972; January 3, 1971; March 31, 1965 – 1970	3,339,964	3,929,331

*1972	1971	1970	1969	1968	1967	1966	1965
\$162,629,505	\$118,042,541	\$144,678,893	\$125,956,843	\$ 99,805,847	\$ 90,790,724	\$ 61,956,835	\$ 53,512,422
1,504,587	1,409,910	1,885,299	1,823,393	1,697,382	1,667,497	1,535,809	1,556,958
1,538,348	1,466,225	2,261,507	2,094,577	2,023,326	1,731,052	1,559,984	1,583,590
1.12	1.05	1.40	1.36	1.26	1.24	1.16	1.23
1.14	1.09	1.68	1.56	1.51	1.29	1.18	1.25
/ 1,075,496	806,622	1,075,498	1,075,498	1,075,495	1,070,570	991,413	882,228
.80	.60	.80	.80	.80	.80	.77½	.70
.80	.60	.80	.80	.80	.80	.77½	.70
69.9%	55.0%	47.6%	51.3%	53.2%	61.8%	63.3%	55.7%
462,852	659,603	1,186,009	1,019,079	947,831	660,482	568,571	701,362
30.1%	45.0%	52.4%	48.7%	46.8%	38.2%	36.7%	44.3%
11,007,652	10,670,617	10,696,847	9,677,792	9,923,198	10,345,957	2,950,796	1,124,500
22,535,751	22,072,899	21,413,296	20,227,287	19,165,244	18,227,609	17,320,583	15,254,797
33,543,403	32,743,516	32,110,143	29,905,079	29,088,442	28,573,566	20,271,379	16,379,297
67.1%	67.4%	66.7%	67.6%	65.9%	63.8%	85.4%	93.1%
16.76	16.42	15.93	15.05	14.26	13.56	13.12	12.07
3,274,310	3,355,441	4,249,573	3,103,157	7,683,550	7,700,429	2,509,365	4,880,322

Directors (as at December 30, 1973)

W.I. Barton*
London, Ontario

G.M. Carlyle
Calgary, Alberta

Eric F. Findlay*
London, Ontario

D.F. Guy
President, Mac's Milk Limited
Toronto, Ontario

N.E. Kaye
Waterloo, Ontario

A.E. Lawrence, Jr.
London, Ontario

R.G. Pardy*
London, Ontario

W. Sagain
President, Silverwood Dairies Limited
Toronto, Ontario

D.G. Silverwood*
President, Silvertree
Victoria, B.C.

H.T. Spettigue*
London, Ontario

J. Allyn Taylor*
Chairman of the Board, The Canada Trust Company and the Huron &
Erie Mortgage Corporation
London, Ontario

D.H. Thain*
Professor, School of Business Administration, University of Western Ontario
London, Ontario

C.L. Tulloch
President, Londonderry Distributors Limited
London, Ontario

David B. Weldon*
President and Chief Executive Officer, Midland Doherty Limited
Toronto, Ontario

*Member of the Executive Committee

Honorary Director

A.E. Lawrence, Sr.
London, Ontario



*Directors visiting the 401 Ice Cream Plant, London, Ont.
From left to right: N.E. Kaye; G.M. Carlyle; J. Allyn Taylor;
A.E. Lawrence, Jr.; D.H. Thain; D.G. Silverwood; David B. Weldon.*

Officers (as at December 30, 1973)

E.F.Findlay
Chairman of the Board, President and Chief Executive Officer

H.T.Spettigue
Senior Vice President

R.G.Pardy
Vice President, Finance

W.Sagain
Vice President, General Manager – Dairies Division

C.L.Tulloch
Vice President, General Manager – Citrus Juice Division

W.I.Barton
Secretary-Treasurer

F.P.Higgs
Controller

A.E.Lawrence, Jr.
Assistant Treasurer

N.W.Sanderson
Assistant Secretary

Corporate data*Head Office*

75 Bathurst Street, London, Ontario N6B 1N8

Mailing Address

P.O. Box 2185, London, Ontario N6A 4E5

Transfer Agents

The Canada Trust Company/Toronto, Calgary and
Vancouver

Auditors

Clarkson, Gordon & Co., Chartered Accountants

*Operating Companies**Dairies Division*

Silverwood Dairies Limited/Head Office, Toronto, Ontario
Canmore Dairy Ltd./Canmore, Alberta/55% owned
Milum Dominion Dairy Limited/Golden, B.C./55% owned
The Valley View Dairies Limited/Toronto, Ontario
Valley Milk Ltd./Invermere, B.C.

Convenience Store Division

Mac's Milk Limited/Head Office, Toronto, Ontario

Citrus Juice Division

Londonderry Distributors Limited/Toronto, Ontario

Leasing Division

Kayesil Limited/Head Office, London, Ontario

Silverwood Industries

75 Bathurst Street, London, Ontario N6B 1N8